

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS ZAGREB 000382

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [ECON](#) [EFIN](#) [HR](#)

SUBJECT: AGREEMENT ON SUCCESSION ISSUES RATIFIED

SENSITIVE BUT UNCLASSIFIED - PLS PROTECT ACCORDINGLY

1. (U) SUMMARY: LATE ON MARCH 3, THE CROATIAN PARLIAMENT RATIFIED THE AGREEMENT ON SUCCESSION ISSUES AND ADOPTED A CONCLUSION COMMITTING THE GOVERNMENT TO CONTINUE THE INVESTIGATION INTO \$589 MILLION WHICH ARE "MISSING" FROM JOINT VENTURE BANK ACCOUNTS. CROATIA IS THE LAST COUNTRY OF THE FORMER YUGOSLAVIA SUCCESSOR STATES TO RATIFY THE AGREEMENT FIRST REACHED IN VIENNA IN 2001. END SUMMARY.

2. (U) LAST MONTH THE NEW HDZ-LED CROATIAN GOVERNMENT PROPOSED TO PARLIAMENT THAT RATIFICATION MOVE FORWARD ON THE SUCCESSION AGREEMENT OF THE FORMER YUGOSLAVIA, WHICH ONLY CROATIA HAD NOT RATIFIED. PRIME MINISTER IVO SANADER POINTED OUT THAT IT WAS THE COUNTRY'S OBLIGATION TO RATIFY THIS AGREEMENT. FOREIGN MINISTER MIOMIR ZUZUL SAID THAT PROLONGING THE RATIFICATION OF THE AGREEMENT WAS DAMAGING FOR POLITICAL REASONS AND ALSO BECAUSE PROPERTY VALUES SUBJECT TO THE SUCCESSION AGREEMENT WERE DETERIORATING. THE PREVIOUS GOVERNMENT, NERVOUS ABOUT WHAT SORT OF CRITICISM THE DEAL WOULD FACE, HAD REFUSED TO SEND IT TO PARLIAMENT FOR A VOTE.

3. (SBU) AT THE EXPERT LEVEL, ZDRAVKO ROGIC, A TOP ADVISOR ON SUCCESSION ISSUES, WHO UNDER THE PREVIOUS GOVERNMENT HAD VIGOROUSLY OPPOSED THE DEAL WITHOUT A FULL ACCOUNTING OF THE MISSING MONEY, TOLD US LAST MONTH THAT IT WAS TIME TO MOVE AHEAD. HE INDICATED THAT THE GOVERNMENT WOULD STILL WORK WITHIN THE FINANCIAL COMMITTEE OF THE SFYR STATES TO GET AN ACCOUNTING OF THE MISSING MONEY. HE PRAISED THE NEW LEADERSHIP AT THE SERBIAN CENTRAL BANK AS BEING WILLING TO COOPERATE, BUT NOTED THAT POLITICAL UNCERTAINTIES IN BELGRADE RENDERED PROGRESS SLOW.

4. (SBU) RECENT PRESS REPORTS CLAIMED THE EU AND U.S. WERE PUTTING PRESSURE ON THE NEW GOVERNMENT TO RATIFY THE SUCCESSION AGREEMENT EVEN THOUGH CROATIA STILL CLAIMED \$589 MILLION HAD GONE MISSING FROM JOINT VENTURE BANKS (SOME 90 PERCENT OF THE AMOUNT "VALUED ON 21 MARCH 2001" IN THE AGREEMENT). WHILE WE HAD NOT MADE THIS A TOP PRIORITY IN OUR DISCUSSIONS WITH THE GOC, WE HAVE CONSISTENTLY MADE CLEAR THAT THE GOVERNMENT NEEDED TO MOVE AHEAD ON THIS ISSUE. IN REGARD TO THE MISSING MONEY, WE HAVE URGED ROGIC TO FIND A WAY TO RESOLVE DIFFERENCES WITH BELGRADE. THE U.S. DE-BLOCKED USD 225 MILLION IN U.S. BANKS A YEAR AGO USING THE VIENNA AGREEMENT ON DIVISION OF ASSETS OF THE FORMER SFYR. CROATIA BECAME ENTITLED TO USD 56 MILLION AS OF MAY 2003.

5. (SBU) ACCORDING TO ZAGREB'S EC MISSION, THE EUROPEANS HAVE TAKEN A SIMILAR TACK. THEY HAVE WANTED TO SEE THE AGREEMENT RATIFIED, BUT HAD NOT BEEN APPLYING PARTICULAR PRESSURE ON CROATIAN AUTHORITIES IN RECENT MONTHS.

6. (SBU) ACCORDING TO A PRESS COMMENTARY ON MARCH 3 IN ZAGREB DAILY DNEVNIK, RATIFICATION OF THE SUCCESSION AGREEMENT COULD TRIGGER RESISTANCE TO THE RETURN OF PROPERTY AND TENANCY RIGHTS GUARANTEED BY THE AGREEMENT. ASKED IF TENANCY RIGHTS WERE COVERED IN THE AGREEMENT, BOZO MARANDIC, THE GOVERNMENT'S POINT PERSON ON THE SUCCESSION TALKS, SAID ONLY, "YES AND NO." IN FACT, PRIVATE PROPERTY AND "ACQUIRED" RIGHTS ARE COVERED IN ANNEX G OF THE VIENNA AGREEMENT. ACCORDING TO BELGRADE'S AMBASSADOR IN ZAGREB, ANNEX G, NOT MISSING MONEY FROM THE JOINT VENTURE BANKS, WAS THE REAL SOURCE OF CONSTERNATION PREVENTING THE PREVIOUS GOVERNMENT FROM TAKING THE SUCCESSION AGREEMENT TO THE PARLIAMENT FOR RATIFICATION.

FRANK

NNNN